

REPORT TO THE CITY COUNCIL

BY THE CITY INTERNAL AUDITOR

AUDIT OF THE

**MAYOR'S OFFICE
ADMINISTRATIVE OFFICE**

IAR 010198-10

NOVEMBER 17, 1998



November 17, 1998

Councilman James Green
Chairman, Shreveport City Council
P. O. Box 31109
Shreveport, LA 71130-1109

Dear Councilman Green:

Subject: IAR 010198-10 - Audit of the Mayor's Office, Administrative Office

Attached please find the report mentioned above. Management comments are included in the report.

Sincerely,

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

jm

**EXECUTIVE SUMMARY
AUDIT OF THE
MAYOR'S OFFICE, ADMINISTRATIVE OFFICE
INTERNAL AUDIT REPORT (IAR) 010198-10**

The purpose of the executive summary is to convey in capsule form the significant issues of the audit report. The executive summary is a vehicle for reviewing the report and should only be used in conjunction with the entire report.

INTRODUCTION

The Administrative Office for the City of Shreveport consists of the Chief Administrative Officer (CAO) and his immediate staff of ten personnel. The Administrative Office is ultimately responsible for the overall management of all city operations. City services are divided among 17 different departments with all department heads reporting directly to the Chief Administrative Officer. While receiving direction from the Mayor, the Administrative Office establishes citywide policies and procedures as well as laying out the goals of the Mayor into an action plan. Departments are monitored for their adherence to these goals, policies, and procedures, and to ensure that City services are being provided efficiently and effectively.

OVERVIEW OF SIGNIFICANT ISSUES

Based on the results of our audit, we believe that an adequate system of control is in existence over the areas examined with the exception of the findings specifically noted. We believe the Mayor's Administrative Office is efficient and economical. We also believe that management could enhance the control environment by addressing the following:

- ? Establishing a system of control regarding telecommunications.
- ? Establishing and maintaining a written policies and procedures manual.
- ? Ensuring that written evaluations are performed for employees.

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AUDIT OF THE MAYOR'S OFFICE, ADMINISTRATIVE OFFICE INTERNAL AUDIT REPORT (IAR) 010198-10

OBJECTIVES

We have completed an audit of the Mayor's Administrative Office. The objective of this audit was to determine the economy and efficiency of operations of the Mayor's Administrative Office.

SCOPE AND METHODOLOGY

Our audit was performed in accordance with applicable generally accepted governmental auditing standards. The scope of the study of internal control was limited to the general controls surrounding the specific issues addressed. General audit procedures included, but were not limited to, the following:

- ? Reviewing applicable records and documents.
- ? Interviewing appropriate operating personnel and management.
- ? Observing operations.

BACKGROUND

The Administrative Office for the City of Shreveport consists of the Chief Administrative Officer and his immediate staff of ten personnel. The Administrative Office is ultimately responsible for the overall management of all city operations. City services are divided among 17 different departments with all department heads reporting directly to the Chief Administrative Officer. While receiving direction from the Mayor, the Administrative Office establishes city-wide policies and procedures as well as laying out the goals of the Mayor into an action plan. Departments are monitored for their adherence to these goals, policies and procedures, and to ensure that city services are being provided efficiently and effectively.

CONCLUSIONS/FINDINGS/RECOMMENDATIONS

Based on the results of our audit, we believe that an adequate system of control is in existence over the areas examined with the exception of the findings specifically noted. We believe the Mayor's Administrative Office is efficient and economical. We also believe that management could enhance the control environment by addressing the following:

- ? Establishing a system of control regarding telecommunications.
- ? Establish and maintain a written policies and procedures manual.

? Ensure that written evaluations are performed for employees.

1. Telecommunications

Criteria: A control system should be in place that provides reasonable assurance that fraudulent, wasteful, and abusive activities are prevented or detected in a timely manner.

Condition: A review of the telecommunications management function within the CAO's office indicated that the controls surrounding usage and security of employees' long distance capabilities needed to be strengthened.

Specifically, no control system existed; whereby, usage reports are reviewed for:

- ? Excessive usage by employees.
- ? Usage by terminated employees.
- ? Usage by employees during non-work days.

A current practice by the telecommunications manager is to leave terminated employees' long distance access codes active and assign the codes to new employees as they are hired. This effectively allows terminated employees use of the City's long distance capabilities.

Effect:

- ? Excessive or fraudulent use of the City's long distance lines would not be detected in a timely manner.
- ? A terminated employee's access code could be used by the employee or other employees.

Cause: The existing billing system identifies calls made by the caller's long distance access code rather than by the caller's name.

Recommendation: We recommend that a system of control be created whereby long distance usage reports are reviewed by responsible departmental personnel to determine reasonableness and proper usage of the City's long distance by employees.

Additionally, the practice of leaving a terminated employee's long distance access code active should be stopped. An employee's long distance access should be deactivated as the employee terminates.

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Management's Plan of Action: We disagree that there is a lack of administrative oversight on the use of long distance by employees. There is no indication of any excessive or fraudulent use of long distance. The staff and the vendor are working on providing the bill with names rather than access codes so it can be distributed to departments for review. We anticipate the vendor will provide this no later than the first quarter of 1999. During the course of the audit the long distance vendor has agreed to cooperate with us by deactivating codes at the time employees are terminated.

Timetable: First quarter of 1999.

2. Written Evaluations

Criteria: A written evaluation is a documented account of an employee's job performance and is used as a basis for merit increases.

Condition: The Office of the CAO does not utilize written evaluations.

Effect: No documented or formal employee evaluation procedure and no written basis for merit increases.

Cause: Management relies on verbal communication as a basis to inform employee of job performance.

Recommendation: The Office of the CAO should perform employee evaluations as prescribed by City personnel policy for all city departments.

Management's Plan of Action: In the future we will have documentation which will provide a summary description of the overall performance of an employee tailored to that employee's specific position.

Timetable: First quarter of 1999.

3. Policy and Procedures Manual

Criteria: A good system of internal control includes, but is not limited to, a written policies and procedures manual that clearly communicates authority and accountability. The policies and procedures manual is a basis for directing employees by explaining objectives and providing

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the necessary instructions to accomplish them.

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Condition: The Office of the CAO has not developed a policies and procedures manual that communicates the internal operating guidelines and instructions.

Effect:

- ? Potential inefficient and ineffective operations.
- ? Potential violation of existing laws and regulations.
- ? Operations may not be in accordance with mission.

Cause: Management utilizes existing city policies and verbal communication to explain office policies and procedures.

Recommendation: We recommend that management develop and maintain a comprehensive policies and procedures manual that will clearly delineate authority and responsibility of individual employees; thus, providing the essential foundation needed for establishing employee accountability. The manual would serve as a reference tool for employees seeking guidance on the proper handling of less frequently encountered transactions and situations. In addition, a policies and procedures manual lessens the threat to continuity posed by employee turnover. The manual would include, for example, which employees are authorized to initiate or approve which transactions, employee evaluations and merit increases, new employee orientation, etc.

Management's Plan of Action: We are comfortable that the document provided to audit staff covers operating and administrative procedures specific to this office. While no specific instance of confusion or non-compliance was cited in the overreaching statement of "effect," if you see other areas that need to be covered, we would appreciate it if you would identify them.

Timetable:

Prepared by:

Barbara Pfister, CFE, CGFM, CIA, CISA
Staff Auditor

Approved by:

Radford K. Snelding, CFE, CGFM, CIA
City Internal Auditor

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c: Mayor
CAO
City Council
Clerk of Council
City Attorney
External Auditor